ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED) AND AUDITORS' REVIEW REPORT

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
AND AUDITORS' REVIEW REPORT
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

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Building a better working world

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INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ADVANCED PETROCHEMICAL COMPANY

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Advanced Petrochemical Company ("the Company"), a Saudi Joint Stock Company, and its subsidiaries (collectively referred to as "the Group") as at 30 September 2017, and the related interim condensed consolidated statements of profit or loss and other comprehensive income, for the three-month and nine-month periods then ended, and the related interim condensed consolidated statement of changes in equity and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed consolidated financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young

ارنست ويونغ
ترخيص مهني رقم ١٥
3 PROFESSIONAL LICENCE No. 15
ERNST & YOUNG

Marwan Al Afaliq
Certified Public Accountant
Registration No. 422

5 Safar 1439H
25 October 2017

Alkhobar

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	***For the three-month period ended 30 September 2017***	*For the three-month period ended 30 September 2016*	***For the nine-month period ended 30 September 2017***	*For the nine-month period ended 30 September 2016*
		(Unaudited)	*(Note 5.1)*	***(Unaudited)***	*(Note 5.2)*
Sales		**616,406**	528,527	**1,747,058**	1,563,000
Cost of sales		**(394,452)**	(302,881)	**(1,161,728)**	(933,494)
GROSS PROFIT		**221,954**	225,646	**585,330**	629,506
Selling and distribution expenses		**(2,350)**	(3,277)	**(7,711)**	(10,494)
General and administration expenses		**(24,249)**	(25,703)	**(73,197)**	(79,538)
OPERATING PROFIT		**195,355**	196,666	**504,422**	539,474
Finance costs		**(8,829)**	(9,359)	**(27,390)**	(22,662)
Realized gains on disposal of available for sale investments, net		**1,653**	710	**7,994**	4,672
Impairment losses against available for sale investments		**-**	(11,713)	**-**	(33,246)
Share in profit of an associate	7	**23,790**	14,266	**49,551**	22,251
Gain on disposal of shares in an associate		**-**	-	**-**	16,044
Other income, net		**2,421**	3,719	**8,087**	11,646
PROFIT BEFORE ZAKAT AND INCOME TAX		**214,390**	194,289	**542,664**	538,179
Zakat and income tax		**(5,979)**	(5,187)	**(15,380)**	(14,109)
PROFIT FOR THE PERIOD		**208,411**	189,102	**527,284**	524,070
Earnings per share					
- Basic and diluted	14	**1.059**	0.961	**2.679**	2.663

KHALIFA A. AL-MULHEM
Chairman of the Board

ABDULLAH M. AL-GARAWI
President & CEO

MOHAMMED H. AL-QAHTANI
Finance & Accounting Manager

The attached notes 1 to 14 form an integral part of these interim condensed consolidated financial statements.

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2017
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	***For the three-month period ended 30 September 2017 (Unaudited)***	*For the three-month period ended 30 September 2016 (Note 5.1)*	***For the nine-month period ended 30 September 2017 (Unaudited)***	*For the nine-month period ended 30 September 2016 (Note 5.2)*
PROFIT FOR THE PERIOD		**208,411**	189,102	**527,284**	524,070
OTHER COMPREHENSIVE INCOME					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of investment in an associate	5	**(2,565)**	23,980	**21,803**	26,246
Unrealized fair value gains/(losses) of available for sale investments		**60,948**	(22,652)	**(81,087)**	91,461
Net other comprehensive income/(losses) to be reclassified to profit or loss in subsequent periods		**58,383**	1,328	**(59,284)**	117,707
Other comprehensive income/(losses) for the period		**58,383**	1,328	**(59,284)**	117,707
Total comprehensive income for the period		**266,794**	190,430	**468,000**	641,777

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ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	**30 September 2017** *(Unaudited)*	31 December 2016 *(Audited)*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		**1,937,524**	1,969,029
Intangible assets		**3,425**	3,463
Investment in an associate	7	**503,655**	432,301
Investment in unconsolidated subsidiary		**376**	376
Available for sale investments		**915,779**	793,885
Other non-current assets	8	**152,346**	162,381
TOTAL NON-CURRENT ASSETS		**3,513,105**	3,361,435
CURRENT ASSETS			
Inventories		**131,350**	116,685
Trade receivables		**335,069**	332,566
Prepayments and other current assets		**51,980**	37,164
Short term investments		**375,000**	121,714
Cash and cash equivalents		**104,433**	452,986
TOTAL CURRENT ASSETS		**997,832**	1,061,115
TOTAL ASSETS		**4,510,937**	4,422,550
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1	**1,967,940**	1,967,940
Statutory reserve		**426,204**	426,204
Other components of equity	6	**167,507**	226,791
Retained earnings		**529,527**	415,510
TOTAL EQUITY		**3,091,178**	3,036,445
NON-CURRENT LIABILITIES			
Term loan		**-**	10,000
Sukuk		**998,405**	997,875
Employees' defined benefit liabilities and other benefits		**90,514**	80,041
Deferred tax liabilities		**3,817**	3,817
TOTAL NON-CURRENT LIABILITIES		**1,092,736**	1,091,733
CURRENT LIABILITIES			
Trade payable		**97,213**	86,169
Accruals and other current liabilities		**190,465**	141,549
Current portion of term loan		**20,000**	40,000
Zakat and income tax provision		**14,104**	21,825
Dividend payable	10	**5,241**	4,829
TOTAL CURRENT LIABILITIES		**327,023**	294,372
TOTAL LIABILITIES		**1,419,759**	1,386,105
TOTAL EQUITY AND LIABILITIES		**4,510,937**	4,422,550
Commitments and contingent liabilities	11 & 12		

KHALIFA A. AL-MULHEM Chairman of the Board	ABDULLAH M. AL-GARAWI President & CEO	MOHAMMED H. AL-QAHTANI Finance & Accounting Manager

The attached notes 1 to 14 form an integral part of these interim condensed consolidated financial statements.

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017
(All amounts in Saudi Riyals thousands unless otherwise stated)

			Other components of equity			
	Share capital	Statutory reserve	Unrealized fair value (losses)/ gains on available for sale investments	Foreign currency translation reserve	Retained earnings	Total
At 1 January 2016	1,639,950	353,138	(61,606)	-	587,259	2,518,741
Profit for the period	-	-	-	-	524,070	524,070
Other comprehensive income for the period	-	-	91,461	26,246	-	117,707
Total comprehensive income for the period	-	-	91,461	26,246	524,070	641,777
Increase in share capital through issuance of bonus shares	327,990	-	-	-	(327,990)	-
Dividends	-	-	-	-	(368,989)	(368,989)
Board of directors' remuneration accrued	-	-	-	-	(1,350)	(1,350)
At 30 September 2016 *(Unaudited)*	**1,967,940**	**353,138**	**29,855**	**26,246**	**413,000**	**2,790,179**
At 1 January 2017	1,967,940	426,204	240,325	(13,534)	415,510	3,036,445
Profit for the period	-	-	-	-	527,284	527,284
Other comprehensive (losses)/income for the period	-	-	(81,087)	21,803	-	(59,284)
Total comprehensive (losses)/income for the period	-	-	(81,087)	21,803	527,284	468,000
Dividends (note 10)	-	-	-	-	(413,267)	(413,267)
At 30 September 2017 *(Unaudited)*	**1,967,940**	**426,204**	**159,238**	**8,269**	**529,527**	**3,091,178**

KHALIFA A. AL-MULHEM
Chairman of the Board

ABDULLAH M. AL-GARAWI
President & CEO

MOHAMMED H. AL-QAHTANI
Finance & Accounting Manager

The attached notes 1 to 14 form an integral part of these interim condensed consolidated financial statements.

ADVANCED PETROCHEMICAL COMPANY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	**30 September 2017**	30 September 2016
OPERATING ACTIVITIES		***(Unaudited)***	*(Unaudited)*
Profit before zakat and income tax		**542,664**	538,179
Adjustment to reconcile profit before zakat and income tax to net cash flows:			
Depreciation		**142,602**	138,843
Amortization		**991**	1,949
Realized gains on disposal of available for sale investments, net		**(7,994)**	(4,672)
Gain on disposal of shares in an associate	7	**-**	(16,044)
Finance costs		**27,390**	22,662
Impairment losses against available for sale investments		**-**	33,246
Share in profit of an associate		**(49,551)**	(22,251)
Employees' defined benefits liabilities and other benefits		**13,273**	12,385
		669,375	704,297
Working capital adjustments:			
Trade receivables		**(2,503)**	(71,823)
Prepayments and other current assets		**(14,816)**	2,056
Inventories		**(14,665)**	7,176
Accounts payable, accruals and other current liabilities		**53,975**	(463)
Cash from operating activities		**691,366**	641,243
Employees' defined benefits liabilities and other benefits paid		**(2,800)**	(1,295)
Finance costs paid		**(19,075)**	(13,939)
Zakat and income tax paid		**(23,101)**	(20,711)
Net cash flows from operating activities		**646,390**	605,298
INVESTING ACTIVITIES			
Net movement in available for sale investments		**(194,987)**	290,538
Additions to short term investments		**(253,286)**	(121,714)
Additions to intangible assets		**(953)**	(912)
Additions to property, plant and equipment		**(111,097)**	(88,508)
Additions to investment in an associate	7	**-**	(44,463)
Net movement in other non-current assets	8	**10,035**	26,572
Proceeds on disposal of investment in an associate		**-**	83,084
Net cash flows (used in) from investing activities		**(550,288)**	144,597
FINANCING ACTIVITIES			
Repayment of term loan		**(30,000)**	(30,000)
Dividends paid		**(412,855)**	(370,169)
Board of directors' remunerations paid		**(1,800)**	(1,800)
Net cash flows used in financing activities		**(444,655)**	(401,969)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(348,553)**	347,926
Cash and cash equivalents at the beginning of the period		**452,986**	84,984
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**104,433**	432,910

KHALIFA A. AL-MULHEM
Chairman of the Board

ABDULLAH M. AL-GARAWI
President & CEO

MOHAMMED H. AL-QAHTANI
Finance & Accounting Manager

The attached notes 1 to 14 form an integral part of these interim condensed consolidated financial statements.

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. ORGANIZATION AND ACTIVITIES

Advanced Petrochemical Company (the "Company") is a Saudi joint stock company registered in Dammam, Kingdom of Saudi Arabia under commercial registration number 2050049604 dated 27 Sha'ban, 1426H (corresponding to October 1, 2005). The paid up share capital of the Company is SR 1,967,940,000 divided into 196,794,000 shares of SR 10 each.

The interim condensed consolidated financial statements as at 30 September 2017 include the financial statements of the Company and the following subsidiaries (collectively referred to as the "Group"):

	Effective ownership
Advanced Renewable Energy Company ("AREC") - note (a)	100%
Advanced Global Investment Company ("AGIC") - note (b)	100%

Notes:

a- Advanced Renewable Energy Company ("AREC"), is a mixed limited liability company registered in Jubail, Kingdom of Saudi Arabia under commercial registration No. 2055015327 dated 27 Rabi'I 1433H (corresponding to 19 February 2012).

5% of this investment is held under a related party's name, on behalf of the Group. The related party has assigned its share to the Group and accordingly, the Group included 100% financial statements of AREC in the interim condensed consolidated financial statements.

b- Advanced Global Investment Company ("AGIC") is a mixed limited liability company registered in Jubail, Kingdom of Saudi Arabia under commercial registration No. 2055017024 dated 12 Ramadan 1433H (corresponding to 1 August 2012).

5% of this investment is held under a related party's name, on behalf of the Group. The related party has assigned its share to the Group and accordingly, the Group included 100% financial statements of AGIC in the interim condensed consolidated financial statements.

During 2014, AGIC made 100% investment in Advanced Global Holding Limited ("AGHL"), a limited liability company incorporated in Luxembourg. AGHL has not been consolidated in these interim condensed consolidated financial statements due to immaterial financial position to the Company.

The Group is licensed to engaged in production and selling Polypropylene, Polysilicon and Polysilicon downstream products which includes Photovoltaic cells and Photovoltaic, and establishing, operating and investing in industrial projects including petrochemical, chemical, basic and conversion industries and industries relating to renewable energy both within and outside the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The interim condensed consolidated financial statements have been prepared using the historical cost convention except for except where International Financial Reporting Standards ("IFRS") requires other measurement basis. These interim condensed financial statements have been prepared in accordance with International Accounting Standard, "Interim Financial Reporting" ("IAS 34") as endorsed in Kingdom of Saudi Arabia ("KSA"). These interim condensed financial statements are prepared in accordance with IFRS for part of the year covered by the first annual financial statements prepared in accordance with IFRS that are endorsed in KSA and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA") (collectively referred to "IFRS as endorsed in KSA"). Refer to note 5 for information on the first time adoption of IFRS as endorsed in KSA, by the Company.

The preparation of these interim condensed consolidated financial statements resulted in changes to the significant accounting policies as compared to those presented in the consolidated financial statements of the Group for the year ended 31 December 2016, which were prepared under accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies disclosed in the interim condensed consolidated financial statements for the period ended 31 March 2017 have been consistently applied to all the periods presented in these interim condensed consolidated financial statements.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

These interim condensed consolidated financial statements of the Group were approved on 25 October 2017.

Basis of consolidation
These interim condensed consolidated financial statements comprise the interim condensed consolidated statement of financial position, interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of other comprehensive income, interim condensed consolidated statement of changes in equity, interim condensed consolidated statement of cash flows and notes to the interim condensed consolidated financial statements of the Group for the three-month and nine-month periods ended 30 September 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the shareholders of the Group to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that may affect the reported amount of assets and liabilities, revenues, expenses and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates which could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

In particular, information about significant areas of estimation, uncertainty, and critical judgments in applying accounting policies (that have the most significant effect on the amount recognized in the interim condensed consolidated financial statements) includes:

Initial recognition of investments
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Impairment of available for sale investments
The Group treats available for sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

Impairment of trade receivables
An estimate of the uncollectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due.

Deferred tax assets/liabilities
The management determines the estimated tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Judgment is required to determine which arrangements are considered to be a tax on income as opposed to an operating cost. Judgment is also required to determine whether deferred tax assets are recognized in the interim condensed consolidated statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Group will generate sufficient taxable earnings in future periods, in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management’s estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations and judgment about the application of existing tax laws in each jurisdiction.

Impairment of inventories
Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

Useful lives of property, plant and equipment and intangible assets
The management determines the estimated useful lives of its property, plant and equipment and intangible assets for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment test of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset’s performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Contingencies
By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Valuation of defined benefit obligations
The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and other assumptions. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date and there has been no material change in the related assumptions in the current period.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an ‘AA’ rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

Fair values of financial instruments
The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market price. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values.

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group adopted all the International Financial Reporting Standards as endorsed, and standards and interpretations issued by SOCPA in the Kingdom of Saudi Arabia in effect at 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been endrosed but is not yet effective.

STANDARD	DESCRIPTION
IAS 7	Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
IFRS 12	Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS
IAS 12	Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses

The adoption of the relevant new and amended standards and interpretations applicable to the Group did not have any significant impact on these interim condensed consolidated financial statements.

Standards issued but not yet effective
Standards issued but not yet effective up to the date of issuance of the Group’s interim condensed consolidated financial statements are listed below. The listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective.

STANDARD/ INTERPRETATION	*DESCRIPTION*	*EFFECTIVE FROM PERIODS BEGINNING ON OR AFTER THE FOLLOWING DATE*
IFRS 1	First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters	1 January 2018
IFRS 2	Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IAS 28	Investments in Associates and Joint Ventures – Classification that measuring investees at fair value through profit or loss is an investment – by – investment choice	1 January 2018
IFRS 16	Leases	1 January 2019

5. FIRST TIME ADOPTION OF IFRS

For all periods up to and including the year ended 31 December 2016, the Group prepared and published its financial statements only in accordance with generally accepted accounting standards in Kingdom of Saudi Arabia ("SOCPA GAAP"). These interim condensed consolidated financial statements are prepared in accordance with IAS 34, "Interim Financial Reporting" that is endorsed in Kingdom of Saudi Arabia.

Accordingly, the Group has prepared interim condensed consolidated financial statements, which comply with IFRS that are endorsed in Kingdom of Saudi Arabia applicable for periods beginning on 1 January 2017, together with the comparative period data. In preparing the accompanying interim condensed consolidated financial statements, the Group's opening statement of financial position was prepared as at 1 January 2016 after incorporating certain adjustments made as required due to the first time adoption of IFRS that are endorsed in Kingdom of Saudi Arabia.

In preparing its opening statement of financial position as at 1 January 2016 in accordance with IFRS as endorsed in Kingdom of Saudi Arabia, the consolidated financial statements for the year ended 31 December 2016 and the interim condensed consolidated financial statements for the three-month and nine-month periods ended 30 September 2016, the Group has analyzed the impact and noted several adjustments are required to the amounts reported previously in the financial statements prepared in accordance with SOCPA GAAP.

The impact on the Group's previously reported consolidated financial statements for the year ended 31 December 2016 and the opening balance sheet at 1 January 2016 (including the exemptions applied by the Group) was disclosed in the Group's interim condensed consolidated financial statements for the three-month period ended 31 March 2017 in accordance with the requirements of IFRS 1.

The notes below explain the principal adjustments made by the Group in restating its SOCPA financial statements to IFRS:

(All amounts in Saudi Riyals thousands unless otherwise stated)

5. FIRST TIME ADOPTION OF IFRS (continued)

5.1 (a) Group's reconciliation of statement of profit or loss for the three-month period ended 30 September 2016

	Note	**Saudi GAAP** *(Unaudited)*	**Re-measurements / Re-classifications**	**IFRS**
Sales		528,527	-	528,527
Cost of sales	5.4 (a) & (b)	(326,922)	24,041	(302,881)
GROSS PROFIT		**201,605**	**24,041**	**225,646**
Selling and distribution expenses		(2,237)	(1,040)	(3,277)
General and administration expenses		(6,180)	(19,523)	(25,703)
OPERATING PROFIT		**193,188**	**3,478**	**196,666**
Finance costs	5.4 (e)	(9,409)	50	(9,359)
Realised gains on disposal of available for sale investments, net		710	-	710
Impairment losses against available for sale investments	5.4 (g)	(14,004)	2,291	(11,713)
Share in profit of an associate		14,266	-	14,266
Other income, net		3,719	-	3,719
PROFIT BEFORE ZAKAT AND INCOME TAX		**188,470**	**5,819**	**194,289**
Zakat and income tax		-	(5,187)	(5,187)
PROFIT FOR THE PERIOD		**188,470**	**632**	**189,102**

5.1 (b) Group's reconciliation of other comprehensive income for the three-month period ended 30 September 2016

	Note	**Saudi GAAP** *(Unaudited)*	**Re-measurements / Re-classifications**	**IFRS**
PROFIT FOR THE PERIOD		**188,470**	**632**	**189,102**
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of investment in foreign associate		-	23,980	23,980
Movement in fair value of available for sale investments		-	(22,652)	(22,652)
Other comprehensive income for the period		**-**	**1,328**	**1,328**
Total comprehensive income for the period		**188,470**	**1,960**	**190,430**

(All amounts in Saudi Riyals thousands unless otherwise stated)

5. FIRST TIME ADOPTION OF IFRS (continued)

5.2 (a) Group's reconciliation of statement of profit or loss for the nine-month period ended 30 September 2016

	Note	**Saudi GAAP**	**Re-measurements / Re-classifications**	**IFRS**
		(Unaudited)		
Sales		1,563,000	-	1,563,000
Cost of sales	5.4 (a) & (b)	(1,002,785)	69,291	(933,494)
GROSS PROFIT		**560,215**	**69,291**	**629,506**
Selling and distribution expenses		(7,252)	(3,242)	(10,494)
General and administration expenses		(23,923)	(55,615)	(79,538)
OPERATING PROFIT		**529,040**	**10,434**	**539,474**
Finance costs	5.4 (e)	(22,812)	150	(22,662)
Realised gains on disposal of available for sale investments, net		4,672	-	4,672
Impairment losses against available for sale investments	5.4 (g)	(40,227)	6,981	(33,246)
Share in profit of an associate		22,251	-	22,251
Gain on disposal of shares in an associate		16,044	-	16,044
Other income, net		11,646	-	11,646
PROFIT BEFORE ZAKAT AND INCOME TAX		**520,614**	**17,565**	**538,179**
Zakat and income tax		-	(14,109)	(14,109)
PROFIT FOR THE PERIOD		**520,614**	**3,456**	**524,070**

5.2 (b) Group's reconciliation of other comprehensive income for the nine-month period ended 30 September 2016

	Note	**Saudi GAAP**	**Re-measurements / Re-classifications**	**IFRS**
		(Unaudited)		
PROFIT FOR THE PERIOD		**520,614**	**3,456**	**524,070**
OTHER COMPREHENSIVE INCOME				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of investment in foreign associate		-	26,246	26,246
Movement in fair value of available for sale investments		-	91,461	91,461
Other comprehensive income for the period		**-**	**117,707**	**117,707**
Total comprehensive income for the period		**520,614**	**121,163**	**641,777**

(All amounts in Saudi Riyals thousands unless otherwise stated)

5. FIRST TIME ADOPTION OF IFRS (continued)

5.3 Reconciliation of equity as at 30 September 2016

(a) Reconciliation of equity

	Note	Saudi GAAP	Re-measurements / Re-classifications	IFRS
		(Unaudited)		
Share capital		1,967,940	-	1,967,940
Statutory reserves		353,138	-	353,138
Other components of equity	5.4 (f), (g) & (h)	1,505	54,596	56,101
Retained earnings	5.3 (b)	420,530	(7,530)	413,000
Total equity		**2,743,113**	**47,066**	**2,790,179**

b) Analysis of the impact of IFRS re-measurements on retained earnings as at 30 September 2016:

	Note	Impact on retained earnings as at 1 January 2016	Impact on retained earnings for nine-month period ended 30 September 2016	Cumulative impact on retained earnings at 30 September 2016
Retained earnings under SOCPA		**612,810**		**420,530**
Componentization of property, plant and equipment	5.4 (a)	72,420	7,095	79,515
Capitalization of general and administrative costs	5.4 (b)	(42,120)	2,562	(39,558)
Employees' end-of-service benefits	5.4 (c)	(16,738)	777	(15,961)
Adjustments for deferred tax liabilities	5.4 (d)	(4,425)	456	(3,969)
Adjustments for sukuk at effective interest method	5.4 (e)	643	150	793
Impairment losses on available for sale investments	5.4 (f) & (g)	(35,331)	6,981	(28,350)
Retained earnings under IFRS		**587,259**		**413,000**

5.4 Notes to the reconciliation of equity as at 30 September 2016 and consolidated profit or loss for the three-month and nine-month periods ended 30 September 2016

a) Componentization of property, plant and equipment

Under IFRS, the property, plant and equipment should be componentized and their useful lives identified separately. The componentization concept was not a followed practice in Saudi Arabia. It was not practically possible for the Group to clearly distinguish adjustments related to the change in useful lives from those relating to applying the componentization. As part of the transition to IFRS, the Group has applied the concept of assets components and accounted for its impact on the useful lives, which resulted in an increase in property, plant and equipment and retained earnings on the IFRS transition date. The net impact has been booked as part of the transition adjustments and impact related to year 2016 has been adjusted in statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2016 and year ended 31 December 2016.

b) Capitalization of general and administrative costs

As per IAS 16, the cost of an item of property, plant and equipment comprises of (i) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; (ii) any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; (iii) the initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located. The Group has previously capitalized administrative expenses which do not meet the definition of cost of an asset as per IFRS. Therefore, the remaining undepreciated balance is now being derecognized from property, plant and equipment and the impact has been debited in the retained earnings as at 1 January 2016 and statement of profit or loss for the three-month and nine-month periods ended 30 September 2016 and year ended 31 December 2016.

5. FIRST TIME ADOPTION OF IFRS (continued)

5.4 Notes to the reconciliation of equity as at 30 September 2016 and consolidated profit or loss for the three-month and nine-month periods ended 30 September 2016 (continued)

c) IAS 19 Employees' end-of-service benefits

Under SOCPA, the Group was required to recognize the provision for employees' end-of-service benefits for the amounts payable at the balance sheet date in accordance with the employees' contracts of employment applicable to employees' accumulated periods of service. However, under IAS 19, the Group is required to recognize an amount of a liability that equals to the net amount of present value of the defined benefit obligation, deferred actuarial gains and losses, deferred past service costs and the fair value of any plan assets at statement of financial position. Accordingly, the Group has restated employees' end-of-service benefits obligation under IFRS and restated employees' end-of-service benefits as at 1 January 2016, 30 September 2016 and 31 December 2016. The impact of restatement that pertains to prior years has been charged to opening retained earnings at 1 January 2016 and impact related to year 2016 has been adjusted in statement of profit or loss for the three-month and nine-month periods ended 30 September 2016 and year ended 31 December 2016.

d) IAS 12 Income Taxes and Revised Zakat Standard issued by SOCPA

Under Saudi GAAP, for an entity that is owned by Saudi and GCC nationals and other than Saudi and GCC nationals (mixed Company), Zakat and Income tax is an obligation for those shareholders' and accordingly, those are accounted for as a charge to the shareholders' equity. Accordingly, no deferred income tax was accounted for in those financial statements. Under IAS 12 zakat and income tax are considered as Group's expense and accordingly charged to the statement of profit or loss. The Group is also required to recognize the deferred income tax on all the taxable/deductible temporary differences. Accordingly, the Group has recognized deferred tax liability, net, as at 1 January 2016, 30 September 2016 and 31 December 2016. Deferred income tax pertaining to prior years has been charged to opening retained earnings and impact related to year 2016 has been adjusted in statement of profit or loss for the three-month and nine-month periods ended 30 September 2016 and year ended 31 December 2016.

e) Recording of sukuk at effective interest method

Under SOCPA, sukuk are subsequently measured at amortized cost using the straight line method for the amortization of debt acquisition costs. However, under IAS 39, these long term liabilities should have been recognized initially at fair value, and subsequently shall be measured at amortized costs by using EIR method. Accordingly, the Group has restated sukuk as at 1 January 2016, 30 September 2016 and 31 December 2016. The impact of restatement which pertains to prior periods has been charged to opening retained earnings as at 1 January 2016 and impact related to year 2016 has been adjusted in statement of profit or loss for the three-month and nine-month periods ended 30 September 2016 and year ended 31 December 2016.

f) Unrealized losses on available for sale investments

Under SOCPA, investments classified as available for sale are measured at fair value and unrealized gains or losses are reported as a separate component of shareholders' equity until the investment is derecognized or determined to be impaired. Under IFRS, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the AFS reserve. Accordingly, the unrealized losses at 1 January 2016, 30 September 2016 and 31 December 2016 are reclassified from unrealized losses on available for sales investments to other comprehensive income.

(All amounts in Saudi Riyals thousands unless otherwise stated)

5. FIRST TIME ADOPTION OF IFRS (continued)

5.4 Notes to the reconciliation of equity as at 30 September 2016 and consolidated profit or loss for the three-month and nine-month periods ended 30 September 2016 (continued)

g) Impairment on available for sale investments

Under SOCPA, impairment losses on available for sales investments are recognized in the profit and loss account only when these investments meet the criteria for a "significant and prolonged" decline in the market values of these investments against their respective costs. However, under IAS 39, the impairment losses on available for sales investments should be recorded in the profit and loss account when the decline of the market price meets one of these criteria i.e. either "significant or prolonged" will trigger the impairment provisioning under IFRS. Accordingly, the Group has restated the available for sale investment as at 1 January 2016, 30 September 2016 and 31 December 2016. The impact of restatement which pertains to earlier period presents has been charged to opening retained earnings for these available for sales investments under IFRS and impact related to year 2016 has been adjusted in statement of profit or loss for the three-month and nine-month periods ended 30 September 2016 and year ended 31 December 2016.

h) Re-translation of investments in an associate

As per IAS 21, "The Effects of Changes in Foreign Exchange Rates", foreign operation is an entity that is a subsidiary, associate, joint arrangement or branch of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity. As per IAS 21, the results and financial position of the foreign operation should be translated into presentation currency using the following procedures: (a) assets and liabilities for each statement of financial position presented (i.e. including comparatives) are translated at the closing rate at the reporting date; (b) income and expenses for each statement of comprehensive income or separate income statement presented (i.e. including comparatives) are translated at exchange rates at the dates of the transactions; and (c) all resulting exchange differences are recognised in other comprehensive income. However, Group has used the exemption and therefore no translation adjustment has been recorded as at the date of transition i.e., 1 January 2016. Further, the Group has recorded foreign currency translation differences at 30 September 2016 and 31 December 2016 in other comprehensive income.

i) Statement of cash flows

The transition from SOCPA to IFRS has not had a material impact on the consolidated statement of cash flows.

6. OTHER COMPONENTS OF EQUITY

	30 September 2017	31 December 2016
	(Unaudited)	*(Audited)*
Unrealized fair value gains on available for sale investments	**159,238**	240,325
Foreign currency translation reserve	**8,269**	(13,534)
	167,507	226,791

7. INVESTMENT IN AN ASSOCIATE

	30 September 2017	31 December 2016
	(Unaudited)	*(Audited)*
At the beginning of the period/year	**432,301**	421,239
Additions during the period/year	**-**	44,463
Disposal during the period/year	**-**	(67,040)
Share of results for the period/year	**49,551**	47,223
Exchange differences on translation of foreign operations	**21,803**	(13,534)
Other adjustments	**-**	(50)
At the end of the period/year	**503,655**	432,301

It represents investment in PDH Plant with SK Gas ("the JV Co.") in which AGIC owns 30% shareholding at 30 September 2017. During 2016, AGIC has sold 5% of its equity ownership in the JV Co. to Petrochemical Industries Company (PIC) and accordingly, the new shareholding of the JV Co. is 45% by SK Gas, 30% by AGIC and 25% by PIC. As a result of this transaction, the Group has recorded a gain in the interim condensed consolidated statement of profit or loss amounting to SR 16.04 million and the sales proceeds have been received in full during the year 2016.

(All amounts in Saudi Riyals thousands unless otherwise stated)

8. OTHER NON-CURRENT ASSETS

	30 September 2017 *(Unaudited)*	31 December 2016 *(Audited)*
Employees' home ownership program (note a)	**151,929**	161,589
Others	**417**	792
	152,346	162,381

a) It represents balances related to employees' Home Ownership Program (HOP). The Parent Company started building residential houses for its employees in 2013. In May 2016, completed housing units were distributed to direct hire Saudi employees under a long term repayment agreement. The employee pays 17% of his monthly basic salary in addition to his housing allowance which is being applied as loan repayment/installment until the total HOP loan is fully repaid. As at reporting date, SR 151.93 million represents non-current portion and SR 12.03 million represents current portion.

9. RELATED PARTY TRANSACTION AND BALANCES

Related parties represent shareholders, associated company, key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties.

During the period, no significant transactions with the related parties resulting in the balances other than those disclosed in note 1 to the interim condensed consolidated financial statements.

Key management personnel compensation

	For the nine-month period ended 30 September 2017	For the nine-month period ended 30 September 2016
Short-term employee benefits	**7,704**	9,316
End of service termination benefits	**1,782**	3,233
	9,486	12,549

10. DIVIDENDS

On 4 October 2017, the Board of Directors resolved to distribute interim cash dividend for the third quarter of 2017 of SR. 0.70 per share (totaling SR.138 million).

On 16 May 2017, the Board of Directors resolved to distribute interim cash dividend for the second quarter of 2017 of SR. 0.70 per share (totaling SR.138 million).

On 7 March 2017, the Board of Directors resolved to distribute interim cash dividend for the first quarter of 2017 of SR. 0.70 per share (totaling SR.138 million).

In November 2016, the Board of Directors proposed to distribute final cash dividend of SR 0.70 per share (totaling to SR 138 million) for the fourth quarter of 2016. This has been approved by the General Assembly in their meeting held on 7 March 2017.

11. COMMITMENTS

At 30 September 2017, capital commitments contracted but not yet incurred amounted to SR 41 million (31 December 2016: SR 131.9 million) in respect of the employees home ownership program.

12. CONTINGENCIES

The Group's banker has given payment guarantees on behalf of the Group in favor of Saudi Aramco for the propane and sales gas supply agreements and others amounting to SR 302.01 million (31 December 2016: SR 302.19 million).

13. SEGMENT INFORMATION

A segment is a distinguishable component of the Group that is engaged in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

The Group's management is of the view that all activities and operations of the Group comprise of a single operational segment in respect of performance appraisal and allocation of resources.

Substantial portion of the Group’s sales are made to the marketers and Group’s operations are related to one operating segment, which is petrochemicals. Accordingly, segmental analysis by geographical and operating segment has not been presented.

Operating assets of the Group are located in the Kingdom of Saudi Arabia. The sales are geographically distributed between domestic sales in the Kingdom representing less than 9% of the total sales and overseas sales represent more than 91% of the total sales.

14. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares during the period.

During the Company’s extraordinary general assembly meeting held on 28 July 2016, a 20% increase in share capital was approved by the shareholders by way of issuance of bonus shares. The proposed increase in share capital was funded from the retained earnings account through the distribution of one bonus share for every five shares held by the existing shareholders. The number of issued shares increased from One Hundred Sixty Three Million Nine Hundred and Ninety Five Thousand (163,995,000) shares to One Hundred Ninety Six Million Seven Hundred and Ninety Four Thousand (196,794,000) shares. The earning per share for the comparative period has been adjusted retrospectively to reflect the increase in share capital as required by the relevant accounting standard.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	For the three-month period ended 30 September 2017	*For the three-month period ended 30 September 2016*	***For the nine-month period ended 30 September 2017***	*For the nine-month period ended 30 September 2016*
Net profit attributable to equity holders of the Group	**208,411**	189,102	**527,284**	524,070
Weighted average number of ordinary shares (‘000)	**196,794**	196,794	**196,794**	196,794
Earnings per share	**1.059**	0.961	**2.679**	2.663

There has been no item of dilution affecting the weighted average number of ordinary shares.